

## Special Conditions

Owners are strongly advised to contact the SHPO prior to any construction. Although approval is not required before a project begins, it is highly recommended. Any work undertaken prior to approval is completely at the owner's risk and could disqualify a claim to a tax credit if it does not meet the "Standards for Rehabilitation." If, during a five-year period following the credit the property is sold, its use changes from income-producing, or the property is altered in a manner not following the Secretary of the Interior's "Standards for Rehabilitation," the Certification may be revoked and all or part of the tax credit recaptured by the IRS.



*Waukegan Historical Society*

## The Secretary of the Interior's "Standards for Rehabilitation" (revised 1990)

The Secretary of the Interior's "Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings" are used by the NPS and SHPO to evaluate proposed changes to a historic structure and to determine if the work respects its historic features. Applicants and their architects who want to qualify their projects should be familiar with these provisions. The SHPO will provide owners with a list of architects interested in working on historic preservation projects.

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historical character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.

3. Each property shall be recognized as a physical record of its time, place and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historical significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archaeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

## Additional Information

The Illinois Historic Preservation Agency administers several incentive programs for rehabilitating historic buildings. For additional information, write Preservation Services Division, Illinois Historic Preservation Agency, 1 Old State Capitol Plaza, Springfield, IL 62701-1507, or call (217) 785-4512.

# Illinois Fact Sheet

## Historic Preservation Tax Credits



Illinois Historic Preservation Agency

Illinois Historic Preservation Agency

Division of Preservation Services

## Historic Preservation Tax Credits

The Historic Preservation Tax Credit Program provides federal income-tax incentives for the rehabilitation of historic income-producing properties.

Under the provisions of the Tax Reform Act of 1986, a 20% tax credit is available for the substantial rehabilitation of commercial, agricultural, industrial, or rental residential buildings that are certified as historic. The credit may be subtracted directly from federal income taxes owed by the owner.

### Benefits

The Historic Preservation Tax Credit Program benefits the owner, the occupants and the community by:

- Encouraging protection of landmarks through the promotion, recognition, and designation of historic structures.
- Increasing the value of the rehabilitated property and returning underutilized structures to the tax rolls.
- Upgrading downtowns and neighborhoods and often increasing the amount of available housing within the community.

### Provisions

To qualify for the Investment Tax Credit, a property must:

- Have a certified historic structure. To be certified, the building must be listed individually on the National Register of Historic Places or be a contributing part of a historic district that is either listed on the National Register or certified as eligible for the National Register.
- Use the building for an income-producing purpose such as rental-residential, commercial, agricultural, or industrial.
- Rehabilitate the building in accordance with the Secretary of the Interior's "Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings." The National Park Service (NPS), with advice from the State Historic Preservation Office (SHPO), determines whether a project meets the standards.
- Spend an amount greater than the building's adjusted basis (roughly the current depreciated value of the building not including land value) on the approved rehabilitation project.

- Complete the work in a timely manner. Project must meet the minimum expenditure test within a two-year measuring period, but applicants may take up to five years to complete a phased project if the plans and specs are approved in advance of construction.
- Pay a fee to the NPS; the fee shall be no less than \$250 and no greater than \$2,500 and shall be based upon the qualifying rehabilitation expenditures.

### Certification Procedure

**Step 1:** *Contact the State Historic Preservation Office.* In Illinois, the SHPO is the Preservation Services Division of the Illinois Historic Preservation Agency.

- Determine the adjusted basis of your building, and decide whether rehabilitation costs will exceed that amount.
- Ask the SHPO if your property qualifies as a certified historic structure. Individual properties within a National Register or certified local historic district will be certified as historic structures by the NPS with the recommendation of the SHPO if they contribute to the district's historical significance.
- The SHPO will provide you with application forms, guidelines, and instructions. The SHPO will usually schedule a site inspection. A site inspection is recommended before construction begins.



*Genesee Theatre in Downtown Waukegan*



**Step 2:** *Obtain Conditional Approval of Rehabilitation Plans from SHPO and NPS.*

- Provide the SHPO with the proposed rehabilitation plans and photographs showing the condition of the building prior to initiating work. The SHPO will advise the applicant whether or not the interior and exterior rehabilitation plans comply with the Secretary of Interior's "Standards for Rehabilitation." The design review not only includes all exterior work, such as window alterations or masonry work, but also *interior* alterations.
- The SHPO will submit the tax-credit application to the NPS for the required federal certification and make formal recommendations about the project status. Upon receipt of the application from the SHPO, the NPS will bill the owner for the initial fee, which must be received for the project to be reviewed.
- Once your preliminary plans are approved by the NPS, you can begin the rehabilitation project. Contact the SHPO if there are changes or questions arise during the course of the rehabilitation.

### Part 3: Obtain Final Approval

- When the project is completed, forward to the SHPO the Request for Certification of Completed Work and photographs showing the completed project.
- The SHPO will perform a site inspection of the completed project.
- The SHPO will submit the Request for Certification of Completed Work to the NPS. The NPS will bill the owner for the fee based upon the final project cost, with a maximum fee of \$2,500. The NPS, with the recommendation of the SHPO, will issue a Certificate of Rehabilitation for successfully completed projects. This certificate is submitted to the Internal Revenue Service (IRS) with the owner's tax forms to claim the credit.